

***FINANCIAL SECTION***

This page was intentionally left blank.

## **Financial Section**

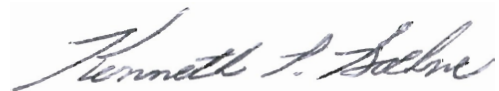
### **Message from the Chief Financial Officer**

I am pleased to present the RRB's Performance and Accountability Report for fiscal year 2004. This report incorporates the annual performance report under the Government Performance and Results Act of 1993, the internal control report under the FMFIA, and audited consolidated financial statements under OMB Bulletin No. 01-09.

The RRB has continued high quality financial management and financial reporting during fiscal year 2004. During the year, the RRB:

- Achieved an unqualified, or clean, audit opinion on its consolidated financial statements for fiscal year 2004. This is the 5<sup>th</sup> consecutive year that our auditors have issued a clean opinion on the agency's financial statements. In addition, although the OIG disclaimed an opinion for fiscal year 1999, on February 2, 2001, it removed its disclaimer and issued a clean opinion on the principal statements for that year as well.
- Continued to accelerate the preparation and presentation of financial information. We also continued to prepare unaudited quarterly financial statements and met the accelerated schedule of releasing these statements to OMB within 21 days of the end of the quarter. The process of preparing quarterly statements has helped us in improving the timeliness and quality of the agency's annual financial statements.
- Completed the transition of the agency's payroll system to GSA in conjunction with the e-Payroll initiative of President Bush's Management Agenda. The transition was done on schedule and within budget.
- Continued our planning for the transition to a new financial management system. Initial efforts have focused on evaluating the potential costs of migrating to off-the-shelf software that meets the standards established by the Joint Financial Management Improvement Program and monitoring the progress of other Federal agencies that are also planning for or implementing new financial management software. During fiscal year 2006, we intend to conduct a requirements analysis for converting to a web-based system. Transition to a new financial system is tentatively planned for fiscal years 2006/2007.

The RRB will continue to provide financial information that is timely, accurate, and useful in the coming years. We are committed to continuing our tradition of providing high quality financial services to agency management, the Congress, OMB, and the constituents we serve.



Kenneth P. Boehne  
Chief Financial Officer  
October 25, 2004

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED BALANCE SHEET  
AS OF SEPTEMBER 30, 2004 AND 2003**

	<b>FY 2004</b>	<b>FY 2003</b>
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balances with Treasury (Note 2)	\$39,053,767	\$12,906,874
Investments (Note 3)	1,304,375,721	1,180,997,109
Accounts Receivable (Note 4)	3,798,657,639	3,756,368,994
<b>Total Intragovernmental</b>	<b>5,142,087,127</b>	<b>4,950,272,977</b>
Accounts Receivable, Net (Note 4)	26,124,892	29,387,341
Inventory and related property, Net (Note 5)	123,414	119,831
General Property, Plant and Equipment, Net (Note 6)	1,879,913	2,379,320
Other (Note 7)	29,401	29,465
<b>TOTAL ASSETS</b>	<b>\$5,170,244,747</b>	<b>\$4,982,188,934</b>
<b>LIABILITIES (Note 8)</b>		
<b>Intragovernmental:</b>		
Accounts Payable	\$421,430,600	\$405,699,833
Debt	3,026,669,568	3,025,032,621
Other	941,907	825,466
<b>Total Intragovernmental</b>	<b>3,449,042,075</b>	<b>3,431,557,920</b>
Accounts Payable	430,629	458,847
Benefits Due and Payable	779,153,135	767,462,539
Other	181,011,504	180,072,902
<b>Total Liabilities</b>	<b>4,409,637,343</b>	<b>4,379,552,208</b>
<b>NET POSITION</b>		
Unexpended Appropriations	12,806,549	12,351,942
Cumulative Results of Operations	747,800,855	590,284,784
<b>Total Net Position</b>	<b>760,607,404</b>	<b>602,636,726</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$5,170,244,747</b>	<b>\$4,982,188,934</b>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD**  
**CONSOLIDATED STATEMENT OF NET COST**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Program Costs:</b>		
<b>Railroad Retirement Program</b>		
Intragovernmental Gross Costs	\$201,251,356	\$216,583,104
Less: Intragovernmental Earned Revenue	<u>5,693,915</u>	<u>5,259,567</u>
Intragovernmental Net Costs (Note 9)	195,557,441	211,323,537
 Gross Costs with The Public	 9,101,110,082	 8,950,937,410
Less: Earned Revenues from The Public	<u>659,482</u>	<u>546,017</u>
Net Costs with The Public	<u>9,100,450,600</u>	<u>8,950,391,393</u>
 <b>Total Net Costs (Note 10)</b>	 9,296,008,041	 9,161,714,930
 <b>Railroad Unemployment and Sickness Insurance Program</b>		
Intragovernmental Gross Costs	4,864,915	4,703,290
Less: Intragovernmental Earned Revenue	<u>0</u>	<u>0</u>
Intragovernmental Net Costs (Note 9)	4,864,915	4,703,290
 Gross Costs with The Public	 128,280,100	 137,037,211
Less: Earned Revenues from The Public	<u>32,758,883</u>	<u>29,899,340</u>
Net Costs with The Public	<u>95,521,217</u>	<u>107,137,871</u>
 <b>Total Net Costs (Note 10)</b>	 100,386,132	 111,841,161
 <b>Costs Not Assigned to Program</b>	 0	 0
<b>Less: Earned Revenues Not Attributed to Programs</b>	<u>71,418</u>	<u>77,808</u>
 <b>Net Cost of Operations</b>	 <u><u>\$9,396,322,755</u></u>	 <u><u>\$9,273,478,283</u></u>

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004		2003	
	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS
NET POSITION - BEGINNING BALANCES	<u>\$590,284,784</u>	<u>\$12,351,942</u>	<u>\$18,683,034,942</u>	<u>\$15,256,368</u>
BUDGETARY FINANCING SOURCES:				
APPROPRIATIONS RECEIVED	0	554,150,000	0	562,150,000
OTHER ADJUSTMENTS	0	(1,347,242)	0	(5,619,488)
APPROPRIATIONS USED	552,348,151	(552,348,151)	559,434,938	(559,434,938)
NON - EXCHANGE REVENUE	4,462,484,215	0	4,454,492,335	
TRANSFERS OUT TO NRRIT (Note 11)	(586,000,000)		(19,188,000,000)	
TRANSFERS IN FROM NRRIT (Note 11)	1,564,044,000		300,001,862	
TRANSFERS IN/OUT WITHOUT REIMBURSEMENT	3,551,073,341		3,458,426,513	
OTHER BUDGETARY FINANCING SOURCES	0	0	1,586,550,184	
OTHER FINANCING SOURCES:				
IMPUTED FINANCING FROM COSTS ABSORBED BY OTHERS	9,891,651	0	9,836,814	
OTHER	(2,532)		(14,521)	
TOTAL FINANCING SOURCES	<u>9,553,838,826</u>	<u>454,607</u>	<u>(8,819,271,875)</u>	<u>(2,904,426)</u>
NET COST OF OPERATIONS	<u>9,396,322,755</u>		<u>9,273,478,283</u>	
NET POSITION - ENDING BALANCES	<u><u>\$747,800,855</u></u>	<u><u>\$12,806,549</u></u>	<u><u>\$590,284,784</u></u>	<u><u>\$12,351,942</u></u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
COMBINED STATEMENT OF BUDGETARY RESOURCES  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Budgetary Resources:</b>		
Appropriations Received	\$10,992,617,557	\$28,913,518,889
Unobligated Balance, Beginning of Period	\$14,496,294	\$17,636,480
Adjustment to Unobligated Balance, Beginning of Period	(6,397)	0
Unobligated Balance, Net, Beginning of Period, as adjusted:	<u>\$14,489,897</u>	<u>\$17,636,480</u>
Spending Authority From Offsetting Collections		
Earned	39,525,016	35,829,209
Recoveries of Prior Year Obligations	1,093,949	667,982
Temporarily Not Available Pursuant to Public Law	(585,210,375)	(27,860,675)
Permanently Not Available	<u>(1,347,242)</u>	<u>(6,310,848)</u>
<b>Total Budgetary Resources</b>	<b><u>\$10,461,168,802</u></b>	<b><u>\$28,933,481,037</u></b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 12)	\$10,445,746,306	\$28,918,984,743
Unobligated Balance	1,334,179	2,004,939
Unobligated Balance Not Available	<u>14,088,317</u>	<u>12,491,355</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$10,461,168,802</u></b>	<b><u>\$28,933,481,037</u></b>
<b>Relationship of Obligations to Outlays:</b>		
Obligated Balance, Net, Beginning of Period:	\$818,785,835	\$781,037,370
Adjustments to Obligated Balance, Beginning of Period (Note 13)	(6,397)	28,247,248
<b>Obligated Balance, Net, Beginning of Period:</b>	<b><u>\$818,779,438</u></b>	<b><u>\$809,284,618</u></b>
<b>Obligated Balance, Net, End of Period:</b>		
Accounts Receivable	(96,122)	168,679
Undelivered Orders	(3,537,880)	(5,475,251)
Accounts Payable	<u>(822,633,659)</u>	<u>(813,472,867)</u>
<b>Outlays: (Note 14)</b>		
Disbursements	10,437,435,334	28,908,931,234
Collections	<u>(39,594,828)</u>	<u>(35,938,505)</u>
Subtotal	<u>10,397,840,506</u>	<u>28,872,992,729</u>
<b>Less: Offsetting Receipts</b>	<u>3,856,263,000</u>	<u>3,744,741,000</u>
<b>Net Outlays</b>	<b><u>\$6,541,577,506</u></b>	<b><u>\$25,128,251,729</u></b>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF FINANCING  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$10,445,746,306	\$28,918,984,743
Less: Spending Authority from Offsetting Collections and Recoveries	(40,618,965)	(36,497,191)
Obligations Net of Offsetting Collections and Recoveries	10,405,127,341	28,882,487,552
Less: Distributed Offsetting Receipts	(3,856,263,000)	(3,744,741,000)
Net Obligations	<b>6,548,864,341</b>	<b>25,137,746,552</b>
<b>Other Resources</b>		
Imputed Financing from Costs Absorbed by Others	9,891,651	9,836,814
Net Other Resources Used to Finance Activities	9,891,651	9,836,814
Total Resources Used to Finance Activities	<b>6,558,755,992</b>	<b>25,147,583,366</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	1,943,769	(131,516)
Budgetary Offsetting Collections & Receipts That Do Not Affect Net Cost of Operations	(454,289)	(644,130)
Resources That Finance the Acquisition of Assets	(386,607)	(1,283,010)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	2,835,263,000	(15,873,259,000)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	<b>2,836,365,873</b>	<b>(15,875,317,656)</b>
Total Resources Used to Finance Net Cost of Operations	<b>9,395,121,865</b>	<b>9,272,265,710</b>
<b>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Increase in Annual Leave Liability	328,998	7,484
Other	223,334	194,982
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	<b>552,332</b>	<b>202,466</b>
<b>Components Not Requiring or Generating Resources:</b>		
Depreciation and Amortization	651,312	1,024,411
Revaluation of Assets or Liabilities	(2,754)	0
Other	0	(14,304)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<b>648,558</b>	<b>1,010,107</b>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	<b>1,200,890</b>	<b>1,212,573</b>
<b>Net Cost of Operations</b>	<b>\$9,396,322,755</b>	<b>\$9,273,478,283</b>

The accompanying notes are an integral part of these financial statements.